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TAGS: [PGOV](#) [PINR](#) [BR](#)
SUBJECT: RIO GRANDE DO SUL: ELECTION RESULTS REFLECT VOTER
DISENCHANTMENT IN BRAZIL'S SOUTHERNMOST STATE

REF: BRASILIA 2100

SENSITIVE BUT UNCLASSIFIED - PLEASE PROTECT ACCORDINGLY

SUMMARY

¶1. (SBU) For the first time in five presidential elections, Luiz Inacio Lula da Silva failed to carry Rio Grande do Sul on October 1, losing by nearly 1.5 million votes to challenger Geraldo Alckmin. At the same time, incumbent Brazilian Democratic Movement Party (PMDB) Governor Germano Rigotto narrowly missed qualifying for the second round, setting up a confrontation between candidates of Alckmin's Social Democracy Party of Brazil (PSDB) and President Lula's Workers Party (PT). These results reflect voter discontent over the state of the economy. The state's agricultural sector has suffered from drought, while the footwear sector is priced out of international markets by the high Real. These factors, along with the political corruption scandals, have led to voter disenchantment with Lula in a state where the PT been strong throughout its 26-year history. Rigotto, meanwhile, was disadvantaged by budget problems that made it difficult for the state to invest in infrastructure or to attract private investment. Up to the last minute, polls pointed to a second-round contest between Rigotto and PT former Governor Olivio Dutra. On election day, however, PSDB Federal Deputy Yeda Crusius surprised everyone by finishing first, with Dutra barely edging out Rigotto. With many voters still disenchanted with the PT, most observers expect Crusius to defeat Dutra handily in the second round, while Alckmin is expected to maintain his significant advantage over Lula. End Summary.

HISTORICAL CONTEXT

¶2. (U) After the first round of the elections, Poloff and Political Assistant visited Porto Alegre, capital of Rio Grande do Sul, and met with academics, political consultants, journalists, and representatives of major political parties to discuss the political situation and the election results. Francisco Ferraz, former Rector of the Federal University of Rio Grande do Sul, provided a historical overview of the state's political rivalries. Given its geographic position as Brazil's southernmost state, bordering on Argentina and Uruguay, Rio Grande do Sul has often been isolated from the national political scene and at odds with the national government. Politics tend to be polarized and characterized by

activism and militancy. The voters are demanding and are unforgiving of corruption, and often do not re-elect governors. Since the 1985 restoration of democracy, the PT and PMDB have been the dominant parties, engaging in an often fierce rivalry. The PT grew gradually into a strong political force, winning the mayoralty of Porto Alegre in 1988 and holding it for 16 years, and governing other major cities as well. Even some critics give it credit for responsible municipal government, competent and generally scandal-free. Instead of fighting ideological battles, it devoted itself to providing municipal services. The PT has strong support among urban voters and the poor, while the PMDB occupies the center-right and attracts votes from business and some elements of the middle class.

13. (U) The PT's decline began in 1998 when former Porto Alegre Mayor Olivio Dutra was elected Governor. Dutra alienated many voters with his heavy-handed, authoritarian style and his unwillingness to compromise. Even PT officials acknowledge that he made many mistakes. His administration was characterized by large budget deficits and constant battles with the opposition-controlled Legislative Assembly. Whereas his predecessor had attracted GM and Ford to the state, Dutra withdrew the incentives that had been promised to Ford and did everything possible to make the company unwelcome. Ford eventually set up operations in Bahia instead, and Dutra is remembered as the Governor who cost the state hundreds of jobs.

14. (U) In 2002, Tarso Genro defeated Dutra in the PT primary and faced off against former Governor Antonio Britto (1995-98), who had switched from the PMDB to the Popular Socialist Party (PPS). Genro and PMDB newcomer Germano Rigotto made it to the second round, which Rigotto won. However, his administration was generally regarded as mediocre. He proved to be a good technocrat but not especially able

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politically. Instead of fighting with the PT, he tried to get along with them, but derived no benefit from it. He puzzled voters in early 2006 by briefly seeking his party's presidential nomination. After that failed, he decided somewhat reluctantly to seek re-election as Governor, even though he had previously expressed opposition to re-election. However, he declined to turn the reins of government over to his deputy and ran a part-time, lackluster campaign. He adopted a pose of neutrality between Lula and Alckmin, a position which, while it may have benefited Lula, made some voters think he was indecisive.

CRUSIUS COMES FROM BEHIND

15. (U) Nevertheless, until the very end, polls showed Rigotto leading, and his failure to make the second round surprised everyone. Even the exit polls were wrong. The most common explanation is that many of his supporters, confident that he was safe, switched their vote to PSDB candidate Yeda Crusius in an effort to keep Dutra and the PT out of the second round. Whatever the reason, Crusius ended up with 32.9 percent, Dutra with 27.39, and Rigotto with 27.12. Rigotto was eliminated by less than 17,000 votes. The momentum now shifts to Crusius. While Rigotto himself has declined to choose sides, the PMDB, led by Senator Pedro Simon and Federal Deputy Eliseu Padilha, has decided to support Crusius. Several other parties -- the Progressivist Party (PP), the Popular Socialist Party (PPS), and the Brazilian Labor Party (PTB) -- are also in her camp. Polls show her leading Dutra by a margin of 64.6 percent to 30.6. Even PT officials acknowledge that Dutra faces a tough uphill climb.

16. (U) Yeda Crusius is a co-founder of the PSDB who served as Minister of Planning in Itamar Franco's administration (1992-94). She has served as a Federal Deputy since 1995. What made her election a surprise is that the PSDB, though prominent on the national scene, is very small in Rio Grande do Sul. It elected two Deputies to the federal Chamber of Deputies in 2002 and three state legislators. This year it again elected two federal deputies and three state deputies. Its main coalition partners, the PFL and the PPS, are not much bigger. Crusius's strong showing is attributed to

the fact that she is a new face. If elected, she will be the state's first woman Governor. In order to govern, she will have to ally with the PMDB and other parties. Even then, many expect her to have difficulty due to the same fiscal problems that undermined Rigotto. Seventy percent of the state's budget goes to salaries of public employees, and the state's debt with the federal government leaves Governors very little room to maneuver. If Lula is re-elected, Crusius will likely have an adversarial relationship with the federal government.

¶7. (U) State PSDB officials Beto Vasconcelos and Lindemar Frajon, who seemed as surprised as anyone by Crusius's strong showing, attributed the defeat of Rigotto to voter dissatisfaction with public services. During the campaign, the PSDB had ignored Rigotto and run against Lula and the PT. The electorate believed that Lula hadn't kept his campaign promises. Farmers hurt by the government's agricultural policies and exporters unable to compete had contributed to the Lula's unprecedented defeat, they said.

¶8. (U) Observers pointed to a number of idiosyncrasies in the election. The PSDB was a partner in Rigotto's government until Crusius announced her candidacy, at which point the PSDB Lieutenant Governor had to switch parties. The leading vote-getter for the federal Chamber of Deputies, Manuela d'Avila, is a 25-year-old Communist woman. The leading vote-getter for the state Legislative Assembly is a local TV weatherman.

PT LEGISLATIVE LEADER - TRYING TO REGAIN BALANCE

¶9. (SBU) Flavio Koutzii, PT leader in the state Legislative Assembly, characterized the state PT (in contrast to the national party) as inclusive, anti-authoritarian, and internally disciplined, with strong intellectual elements. He noted that the state PT continued to gain influence in the 1990s even as leftist ideas were falling out of fashion, and said that the PT's municipal government created a culture that changed the opposition's thinking. The state PT, he said, could have evolved into a social democratic party with

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a strong reformist impulse.

¶10. (SBU) However, during Dutra's term as Governor, in which Koutzii served as Chief of the Civil Household, the Palace was besieged, conflict was the order of the day, and the party began to lose ground. Genro's challenge of Dutra in 2002 was "stupid," Koutzii said, and the party lost the governorship that year and the Mayoralty of Porto Alegre in 2004. Koutzii attributed Lula's loss in the state to people's alienation over the vote buying scandal and especially the "dossier" scandal, which he attributed to the arrogance of the Sao Paulo PT. Though he himself did not seek re-election to the Assembly, he noted that the party's candidates had an unpleasant campaign, being heckled mercilessly over the corruption issue. Unlike in elections past, it was hard to get the party faithful out into the streets. Koutzii admitted that Dutra is very unlikely to defeat Crusius. Nevertheless, he believes that the party is in a fair position to regroup and regain its balance. Former Agricultural Development Minister Miguel Rossetto got 1.5 million votes in the Senate race, a good showing against PSDB leader Pedro Simon. Rossetto is widely expected to be the PT's candidate for Porto Alegre Mayor in 2008. The party elected eight federal deputies (out of 31) and 13 state deputies (out of 56) and thus remains alive and well.

¶11. (SBU) Many members of the Rio Grande do Sul PT have served in senior positions in the party and in Lula's government. In addition to Rossetto and Dutra (who served as Minister of Cities), prominent members include Lula's Civil Household Chief, Dilma Rousseff, and Minister for Institutional Relations Tarso Genro. The PT's leader in the Chamber of Deputies, Henrique Fontana, is also a "gaucho." Despite this, state party leaders often act as if they were in opposition to Lula's government and to the national party and often press them to take a more leftward direction.

¶12. (SBU) State legislator Raul Pont, former Porto Alegre Mayor (1997-2000) and now national Secretary General of the PT, also said the scandals had hurt the party and Lula in the elections. Pont is a Trotskyite who leads the PT's Social Democracy faction and ran unsuccessfully in 2005 for PT president. When Lula's Majority Faction retained its control of the PT National Directorate, other leftists defected, mostly to Heloisa Helena's Socialism and Liberty (PSOL) party, but Pont chose to remain in the party and try to "re-found" it from the left. He continues to urge the Lula administration to pay more attention to the social movements that constitute the party's original base and to implement more social programs.

¶13. (SBU) Pont predicted that many of Heloisa Helena and Cristovam Buarque's voters would vote for Lula in the second round. Despite the resentments that led both politicians to leave the PT, their supporters are ideologically much closer to Lula than to Alckmin, he said. Pont complained that the last 20 days of the first-round campaign had been a "massacre" in which the media criminalized the entire party, and the campaign in the streets had been brutal. The "dossier" scandal, he asserted, was a case of the Sao Paulo PT trying to help their gubernatorial candidate, Aloizio Mercadante, but its repercussions were nation-wide. The PT, he noted, was also the only party to be held responsible for the vote-buying scandal, even though almost all parties played a role.

¶14. (SBU) The root of the problem, in Pont's view, is Brazil's "perverse" electoral system, which gives small states much more representation than large states. As a result, Lula will be re-elected with around 50 million votes, but his party will have less than 20 percent representation in the Congress. Such a phenomenon, he complained, almost ensures "ingovernability." The national PT, he said, chose to behave like a traditional Brazilian political party and make deals in Congress, with disastrous results. He expects Lula, in a second term, to push hard for political reform to address this situation. The "Barrier Clause," which will eliminate parties with less than 5 percent of the nation-wide vote, is a small first step, but much more reform is needed. Pont wants the PT to take the lead in pushing for comprehensive political reform, and he and his faction will press for this at next year's PT National Congress.

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COMMENT

¶15. (SBU) Lula's unprecedented failure to carry Rio Grande do Sul is a sign of how much backlash there is against the PT as a result of the corruption scandals. Nevertheless, just as on the national level, where the PT surprised many by electing 83 federal deputies, its performance on the state level suggests it remains a force to be reckoned with. While a solid one third of the voters strongly opposes the party, another one third still supports it, and it is well represented in the legislative sphere. Meanwhile, if Crusius is elected Governor (by no means a sure thing, since polls to date have been wrong), it will be interesting to see whether or not the PSDB can develop as a third force in Rio Grande do Sul. End Comment.

¶16. (U) This cable was coordinated with Embassy Brasilia.

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